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The model of financing of Euro 2012 in Poland and in other UEFA European Championships hosts – comparative analysis

Ferrir, Richard

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Abstract

The most significant value added by Euro 2012 is undoubtedly the infrastructural changes. The event became a catalyst for the execution of more than two hundred projects for an amount of ca. PLN 100 billion. This paper focuses on the key projects, including above all the road construction projects, as well as those connected to road and rail infrastructure.

Considering such significant outlays, the funding the preparation, particularly in a division into private and public sources, becomes an especially important issue. It is the predominant commitment of public funds that creates the need to justify their allocation, chiefly in the case of the sports venues, usually utilised by private sports clubs after the end of the event. Euro 2012 has been compared in this respect with other events of this rank, staged in Europe since the beginning of the 21st century.

Introduction

The most significant value added by Euro 2012 is undoubtedly the infrastructural changes. The event became a catalyst for the execution of more than two hundred projects for an amount of ca. PLN 100 billion. This paper focuses on the key projects, including above all the road construction projects, as well as those connected to road and rail infrastructure.

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compared in this respect with other events of this rank, staged in Europe since the beginning of the 21st century.

Poland's participation in the organisation of UEFA European Championships in 2012 is a pretext to attempt to determine whether the commitment of public funds in such major events is justified. The issue of financing mega sports events has been the subject of comprehensive analyses presented in foreign literature. For obvious reasons, this subject has not yet been taken up in Poland, although both Euro 2012 and any potential mega sports events that may be organised in future, given the present infrastructure, have contributed to a change in this trend.

The model

Table 3.1 contains an overall comparison of the expenses incurred in the framework of preparations for UEFA European Championships organised in 2000–2012. In terms of the structure of financing, two models can be identified: public and private. In nearly all countries private funds have been committed, with the exception of Poland, where the outlays were financed exclusively from public sources. It was in spite of huge hopes placed in public-private partnership [Zawadzki, 2010, pp. 606–616].

The fact of financing from a single source compounds the massive size of the outlays. In this respect the event in Poland was among the most expensive ones. Its total cost was in excess of 22.5 billion EUR₂₀₁₂.¹ This is at odds with the assumption presented in the subchapter 2.3 that the most expensive events necessitate funding from a variety of both public and private sources. For comparison, the co-organiser of UEFA Euro 2012 – Ukraine spent less than a sixth of that amount on preparations for the event. Among the cheapest were the tournaments organised at the turn of the century in Belgium and the Netherlands. The overall amount allocated to the preparations in both countries was less than half a billion EUR₂₀₁₂. The tournament organised in Austria and Switzerland should also be considered cheap. It cost each of the countries around half a billion EUR₂₀₁₂. This confirms the hypothesis of lower infrastructure expenditures in countries with more developed economies. During UEFA Euro in 2000 and 2008 the event hosts, being some of the most developed European countries,

¹ The EUR₂₀₁₂ unit was used to reflect as accurately as possible the expenditures incurred by the individual countries [Zawadzki, 2013, pp. 613–615].

focused on preparing the stadiums and their immediate surroundings. In Poland, Portugal and Ukraine organisation of such a major sporting event became an excuse for execution of a series of infrastructural projects related to sports venues only to a small extent.

Table 1.

Size and structure of financing of UEFA European Championships, broken down into public and private sources

Place and time	Financing [EUR ₂₀₁₂ bn]			Participation In funding [%]	
	public	private	total	public	private
Belgium 2000	0.09	0.103	0.193	47	53
The Netherlands 2000	0.078	0.202	0.280	28	72
Portugal 2004	3.4	0.6	4.0	85	15
Austria 2008	0.4045	0.023	0.4275	95	5
Switzerland 2008	0.303	0.230	0.533	57	43
Poland 2012	22.503	0	22.503	100	0
Ukraine 2012	2.97	0.72	3.69	80	20

Source: [Zawadzki, 2013a, p. 615].

Although the stadiums were among the most important projects completed in Poland as part of Euro 2012, they accounted for a relatively small part of the total expenditure on key investments – under 6% (Table 3.2). Non-sports infrastructure was of a far greater significance here, above all, road infrastructure, which accounted for more than 80% of the outlays.

Since the execution of a great proportion of infrastructure projects in countries with less developed economies is accelerated due to the event but the projects would be completed in the future regardless, it is difficult to compare the cases of the individual host countries in terms of overall expenditures made in connection of UEFA Euro tournaments. As shown in Table 3.1, the scale of variance is enormous. The “most expensive” UEFA European Championships in Poland ate up more than 116 times funds than the “cheapest” ones in Belgium. But to determine the actual scale of financing of an event it would be necessary to isolate only the projects executed exclusively for UEFA Euro and disregard the ones for which the event was only a catalyst.

Table 2.

Expenditure on key investments as part of preparations for Euro 2012 in Poland

place		stadium infrastructu re	road transport	rail transport	air transport	public transport	other infrastructu re
Gdańsk		921.21	1 569.15	0	306.60	0	19
Poznań		638.58	151.83	0	222.50	0	0
Warsaw		1 914.63	0	0	0	0	84
Wrocław		857.42	890.24	0	503.25	760	0
entire state		0	60 003.80	8 042.70	206.69	0	0
Total	million PLN	4 331.84	62 615.03	8 042.70	1 239.04	760	103
	%	5.62	81.22	10.43	1.61	0.99	0.13

Source: Author's own compilation based on: Sprawozdanie z realizacji przedsięwzięć Euro 2012 oraz z wykonanych działań dotyczących realizacji przygotowań Polski do finałowego turnieju Mistrzostw Europy w Piłce Nożnej UEFA Euro 2012 (styczeń 2012 – czerwiec 2012), Ministry of Sport and Tourism, Warsaw 2012 pp.24-42.

Therefore, western specialist literature usually refers to the expenses incurred solely with the purpose of preparing the sports venues [Feddersen et al., 2008]. Opponents of this approach invariably point to the fact that highly developed countries usually already have the necessary stadiums and are not forced to build them from scratch. Moreover, the construction of an arena generally increases the competitiveness of a particular region after the event, so the expenses incurred during its creation will be offset by potential income from its operation. Despite the aforementioned reservations, such an approach seems far more reliable than a comprehensive approach, taking into consideration multiple road, rail or air infrastructure projects. As shown in Figure 3.1, focusing exclusively on the financing of sports venues greatly reduces the scale of financing. The most substantial expenditures, incurred by Ukraine, amount to 1,093 billion EUR₂₀₁₂. It also reduces the difference between the “most expensive” and “cheapest” event. A comparison of the expenses incurred by the individual countries as part of the same (co-organisers) and different events gives rise to some interesting conclusions.

The event in Ukraine, although generating the largest expenditures, is not regarded as the most expensive in view of the high share (over 40%) of funds from private sources for the construction of the Donetsk and Kharkov. These venues were prepared efficiently and without any serious disruptions and were put in operation as early as in 2009. However, the execution of the stadiums for

public funds was far from trouble-free. As a result of the increasing costs and repeated postponement of completion dates, the Olympic Stadium in Kiev was completed in mid-2011, and the venue in Lvov was not ready until November 2011, following a decisive intervention of the Ukrainian government and public prosecutor's office.

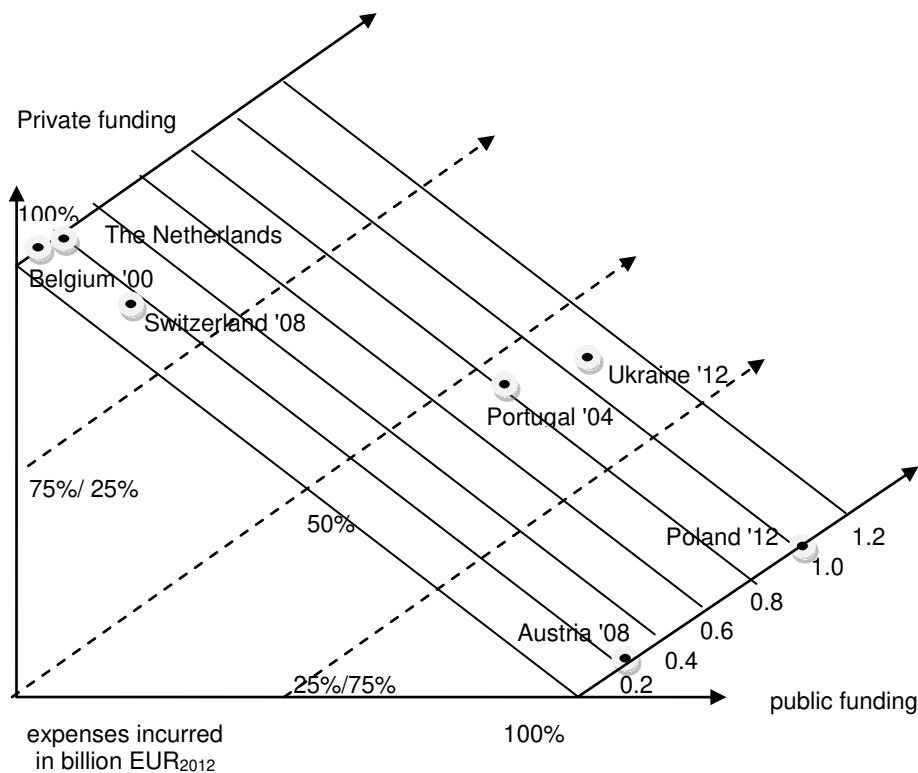


Figure 1. Scale and structure of financing of sports venues in the framework of UEFA Euro in 2000–2012

Source: Author's own compilation.

The venues in Poland, wholly financed from public sources, have given rise to much controversy and social discontent. Opponents of such a model of funding often argue that the venues are now being used by sports clubs owned by private investors. This applies to the stadiums in Gdańsk, Poznań and Wrocław.

It is noteworthy that the outlays made by Poland and Ukraine are far higher than those incurred by Portugal despite the relatively similar level of economic development and the fact that the Iberian country prepared ten stadiums, including six funded from public sources, for an amount of 0,441 billion EUR₂₀₁₂ (all ten for 0,8 billion EUR₂₀₁₂). This might indicate a steady increase in

the cost of sports venue construction, whose dynamics exceeds the HICP index level assumed in the calculations of the EUR₂₀₁₂ unit.

To sum up the aspect of financing the stadium infrastructure outlays, there is a striking contrast between the wealthier countries, allocating relatively modest funds to this purpose, usually upgrading existing venues, and the poorer countries, not having the required infrastructure base and forced to build sports venues from scratch. The issue of the structure of financing is more ambiguous, although, with the exception of Austria, it may be ventured that better developed countries are more willing to use private sources, whereas public and mixed sources dominate in less economically developed countries.

It would be difficult to judge at this stage whether such a high share of public funding was justified in the case of Poland. A matter of great importance will be the utilisation of existing infrastructure, including the stadiums which, if managed inefficiently, will continue to be a burden to the cities' budgets in the future. This issue is described in more detail in chapter four.

Final remarks

In this study, an attempt was made to estimate the impact of the organisation of UEFA European Championships on the host cities: Gdańsk, Poznań, Warsaw and Wrocław. The adopted list of infrastructural undertakings executed as part of Euro 2012 preparations included 219 projects divided according to the urgency criterion into key, important and other projects. Analysis of project completion revealed that not all tasks had been executed as planned before the beginning of the event. Predictably, the key projects were found to have been completed in the greatest percentage of the cases (76%), while other projects were characterised by the lowest percentage of completion (51%). The degree of completion also varied between the individual cities. Gdańsk turned out to be the most efficient city with 74% of all projects completed, while Warsaw was at the bottom of the ranking with 63% of completed projects.

Even considering the high percentage of incomplete infrastructural projects, it is worth emphasising that Euro 2012 became a catalyst of important changes, especially with respect to broadly defined transport infrastructure. It is particularly striking in the case of road infrastructure. In 2012 alone 953 kilometres of expressways were completed. For comparison, by 2011 only slightly over 1700 kilometres of such roads had been built. What is important,

the effects of Euro 2012 will still be noticeable at least until the end of 2014, when all projects undertaken in connection with the event will have been completed.

Such considerable infrastructural needs of Poland necessitated massive outlays. Euro 2012 proved to be the most expensive of the UEFA European Championships organised in the 21st century and, in all likelihood, in the whole history of the tournament. A highly disadvantageous fact for our country was the complete absence of commitment of private funds in the financing of the preparations. The public-private partnership program, in which high hopes had been placed in connection with the organisation of Euro 2012, turned out to be a total failure. It is noteworthy that it is an unprecedented case of financing a sporting event of this type exclusively from public sources.

The most frequently recognised legacy of the Championships are the stadiums. The future management of these venues will have an influence on the general cost-benefit ratio of their construction/extension. The difficulties in generating sufficient revenues to cover the costs of maintenance and debt service are already being experienced. The study indicated some feasible ways of fund acquisition involving the organisation of both sporting and non-sporting events.

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